



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



ABERDEEN SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2013

ABERDEEN SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	14
Exhibit B – Statement of Activities	15
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	16
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	18
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	20
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	37
Budgetary Comparison Schedule – General Fund	38
Budgetary Comparison Schedule – Title I Basic Fund	39
Budgetary Comparison Schedule – Title II-A Fund	40
Budgetary Comparison Schedule – EHA Part B Fund	41
Notes to the Required Supplementary Information	42
SUPPLEMENTAL INFORMATION	43
Schedule of Expenditures of Federal Awards	44
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	45
OTHER INFORMATION	46
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	47
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	48
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	49
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133	52
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	54
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57
SUMMARY OF PRIOR YEAR AUDIT FINDINGS	60

INDEPENDENT AUDITOR'S REPORT



**WATKINS, WARD AND STAFFORD**

Professional Limited Liability Company  
Certified Public Accountants

River Hills Tower, 1675 Lakeland Drive, Suite 505  
Jackson, MS 39216  
(Phone) 601-982-0010 (Fax) 601-982-0013

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, CPA

INDEPENDENT AUDITOR'S REPORT

Conservator and the Mississippi Department of Education

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aberdeen School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Aberdeen School District basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Aberdeen School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's

discussion and analysis and budgetary comparison information on pages 4-12 and 37-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Aberdeen School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, on our consideration of the Aberdeen School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aberdeen School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
February 5, 2014

*Watkins Ward and Stafford, PLLC*

MANAGEMENT'S DISCUSSION AND ANALYSIS

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Aberdeen School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$1,225,366, including a prior period adjustment of (\$13,133), which represents a 29% increase from fiscal year 2012. Total net position for 2012 increased \$744,736, including a prior period adjustment of (\$243,182), which represents a 21% increase from fiscal year 2011.
- General revenues amounted to \$11,673,625 and \$11,058,894, or 79% and 77% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,017,544, or 21% of total revenues for 2013, and \$3,289,115, or 23% of total revenues for 2012.
- The District had \$13,452,670 and \$13,360,091 in expenses for fiscal years 2013 and 2012; only \$3,017,544 for 2013 and \$3,289,115 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,673,625 for 2013 and \$11,058,894 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,596,238 in revenues and \$10,114,784 in expenditures for 2013, and \$11,076,786 in revenues and \$10,062,621 in expenditures in 2012. The General Fund's fund balance increased by \$1,347,173, including a prior period adjustment of (\$73,848), from 2012 to 2013, and increased by \$595,498, including a prior period adjustment of (\$78,211), from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$990,014 for 2013 and decreased by \$87,072 for 2012. The increase for 2013 was due primarily to building improvements completed during the fiscal year and the purchase of various items of furniture and equipment.
- Total long-term debt decreased by \$85,451 for 2013 and decreased by \$180,661 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$6,927 for 2013 and increased by \$1,573 for 2012.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's non-fiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, and interest on long-term liabilities.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$5,503,633 as of June 30, 2013.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 3,778,743	\$ 4,153,816	(9.03) %
Restricted assets	141,350	35,265	300.82 %
Capital assets, net	4,587,100	3,597,086	27.52 %
<b>Total assets</b>	<b><u>8,507,193</u></b>	<b><u>7,786,167</u></b>	<b>9.26 %</b>
Current liabilities	330,635	749,524	(55.89) %
Long-term debt outstanding	2,672,925	2,758,376	(3.10) %
<b>Total liabilities</b>	<b><u>3,003,560</u></b>	<b><u>3,507,900</u></b>	<b>(14.38) %</b>
<b>Net position:</b>			
Net investment in capital assets	2,101,016	912,262	130.31 %
Restricted	858,139	2,041,216	(57.96) %
Unrestricted	2,544,478	1,324,789	92.07 %
<b>Total net position</b>	<b><u>\$ 5,503,633</u></b>	<b><u>\$ 4,278,267</u></b>	<b>28.64 %</b>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Increase in net capital assets in the amount of \$990,014.
- The principal retirement of \$185,761 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$14,691,169 and \$14,348,009, respectively. The total cost of all programs and services was \$13,452,670 for 2013 and \$13,360,091 for 2012.

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 250,671	\$ 362,847	(30.92) %
Operating grants and contributions	2,766,873	2,850,468	(2.93) %
Capital Grants and Contributions	-	75,800	(100.00) %
General revenues:			
Property taxes	5,015,200	4,316,708	16.18 %
Grants and contributions not restricted	6,558,198	6,653,116	(1.43) %
Investment earnings	36,733	4,073	801.87 %
Other	63,494	84,997	(25.30) %
<b>Total revenues</b>	<b><u>14,691,169</u></b>	<b><u>14,348,009</u></b>	<b>2.39 %</b>
<b>Expenses:</b>			
Instruction	6,875,845	7,161,971	(4.00) %
Support services	5,408,241	5,144,410	5.13 %
Non-instructional	989,519	946,570	4.54 %
Interest on long-term liabilities	179,065	107,140	67.13 %
<b>Total expenses</b>	<b><u>13,452,670</u></b>	<b><u>13,360,091</u></b>	<b>0.69 %</b>
<b>Increase (Decrease) in net position</b>	<b><u>1,238,499</u></b>	<b><u>987,918</u></b>	<b>25.36 %</b>
<b>Net Position, July 1, as previously reported</b>	<b><u>4,278,267</u></b>	<b><u>3,533,531</u></b>	21.08 %
<b>Prior Period Adjustment</b>	<b><u>(13,133)</u></b>	<b><u>(243,182)</u></b>	(94.60) %
<b>Net Position, July 1, as restated</b>	<b><u>4,265,134</u></b>	<b><u>3,290,349</u></b>	<b>29.63 %</b>
<b>Net Position, June 30</b>	<b><u>\$ 5,503,633</u></b>	<b><u>\$ 4,278,267</u></b>	<b>28.64 %</b>

**Governmental activities**

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 6,875,845	\$ 7,161,971	(4.00) %
Support services	5,408,241	5,144,410	5.13 %
Non-instructional	989,519	946,570	4.54 %
Interest on long-term liabilities	179,065	107,140	67.13 %
<b>Total expenses</b>	<b>\$ 13,452,670</b>	<b>\$ 13,360,091</b>	<b>0.69 %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (5,643,278)	\$ (5,615,952)	0.49 %
Support services	(4,671,099)	(4,515,142)	3.45 %
Non-instructional	58,316	167,258	(65.13) %
Interest on long-term liabilities	(179,065)	(107,140)	67.13 %
<b>Total net (expense) revenue</b>	<b>\$ (10,435,126)</b>	<b>\$ (10,070,976)</b>	<b>3.62 %</b>

- Net cost of governmental activities (\$10,435,126 for 2013 and \$10,070,976 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$5,015,200 for 2013 and \$4,316,708 for 2012) and state and federal revenues (\$6,558,198 for 2013 and \$6,653,116 for 2012).
- Investment earnings amounted to \$36,733 for 2013 and \$4,073 for 2012.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,648,788, an increase of \$187,734, which includes a prior period adjustment of (\$68,615) and an increase in inventory of \$4,473. \$2,464,443, or 68%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,184,345, or 32%, is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,347,173, which includes a prior period adjustment of (\$73,848).

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,914, which includes a prior period adjustment of \$5,233 and an increase in inventory of \$4,473. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title I Basic Fund	\$	(670)
Title II-A Fund	\$	(134)
EHA Part B Fund	\$	(153)
2011 Construction Fund	\$	(1,155,568)

### BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$8,740,306, including land, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$1,179,489 from 2012 due primarily to the completion of building improvements during the fiscal year and the purchase of various items of furniture and equipment. Total accumulated depreciation as of June 30, 2013, was \$4,153,206, and total depreciation expense for the year was \$252,963, resulting in total net capital assets of \$4,587,100.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 142,757	\$ 142,757	0.00 %
Buildings	1,565,478	1,599,598	(2.13) %
Building improvements	1,698,267	557,018	204.89 %
Improvements other than buildings	729,190	767,645	(5.01) %
Mobile equipment	264,680	304,870	(13.18) %
Furniture and equipment	148,884	176,516	(15.65) %
Leased property under capital leases	37,844	48,682	(22.26) %
<b>Total</b>	<b>\$ 4,587,100</b>	<b>\$ 3,597,086</b>	<b>27.52 %</b>

Additional information on the District's capital assets can be found in Note 5 included in this report.

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Debt Administration.** At June 30, 2013, the District had \$2,672,925 in outstanding long-term debt, of which \$235,454 is due within one year. During the fiscal year, the District received proceeds from the issuance of a shortfall note in the amount of \$107,237. The District made principal payments totaling \$185,761 on outstanding long-term debt. The liability for compensated absences decreased \$6,927 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>Percenta</b>
Three mill notes payable	\$ 590,000	\$ 725,000	(18.62) %
Shortfall notes payable	107,237	-	N/A %
Obligations under energy efficiency leases	684,063	734,824	(6.91) %
Qualified school construction bonds payable	1,225,000	1,225,000	0.00 %
Compensated absences payable	66,625	73,552	(9.42) %
<b>Total</b>	<b>\$ 2,672,925</b>	<b>\$ 2,758,376</b>	<b>(3.10) %</b>

Additional information on the District's long-term debt can be found in Note 6 included in this report.

**CURRENT ISSUES**

The Aberdeen School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state, and federal revenues.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Aberdeen School District, PO Drawer 607, Aberdeen, MS 39730.

FINANCIAL STATEMENTS

**ABERDEEN SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2013**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,213,638
Due from other governments	533,387
Accrued interest receivable	71
Inventories	31,647
Restricted assets	141,350
Capital assets, non-depreciable:	
Land	142,757
Capital assets, net of accumulated depreciation:	
Buildings	1,565,478
Building improvements	1,698,267
Improvements other than buildings	729,190
Mobile equipment	264,680
Furniture and equipment	148,884
Leased property under capital leases	37,844
Total Assets	<u>8,507,193</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	267,814
Due to other governments	3,338
Unearned revenue	153
Interest payable on long-term liabilities	59,330
Long-term liabilities, due within one year:	
Capital related liabilities	197,939
Non-capital related liabilities	37,515
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,301,124
Non-capital related liabilities	136,347
Total Liabilities	<u>3,003,560</u>
<b>Net Position</b>	
Net investment in capital assets	2,101,016
Restricted for:	
Expendable:	
School-based activities	599,382
Debt service	229,580
Unemployment benefits	29,177
Unrestricted	2,544,478
Total Net Position	<u>\$ 5,503,633</u>

The notes to the financial statements are an integral part of this statement.

**ABERDEEN SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2013**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 6,875,845	\$ 164,674	\$ 1,067,893	\$ -		\$ (5,643,278)
Support services	5,408,241	436	736,706	-		(4,671,099)
Non-instructional	989,519	85,561	962,274	-		58,316
Interest on long-term liabilities	179,065	-	-	-		(179,065)
<b>Total Governmental Activities</b>	<b>\$ 13,452,670</b>	<b>\$ 250,671</b>	<b>\$ 2,766,873</b>	<b>\$ -</b>		<b>\$ (10,435,126)</b>

**General Revenues:**

**Taxes:**

    General purpose levies 4,721,835

    Debt purpose levies 293,365

**Unrestricted grants and contributions:**

    State 6,324,813

    Federal 233,385

    Unrestricted investment earnings 36,733

    Other 63,494

**Total General Revenues 11,673,625**

Change in Net Position 1,238,499

Net Position - Beginning, as previously reported 4,278,267

    Prior Period Adjustments (13,133)

Net Position - Beginning, as restated 4,265,134

Net Position - Ending \$ 5,503,633

The notes to the financial statements are an integral part of this statement.

**ABERDEEN SCHOOL DISTRICT  
GOVERNMENTAL FUNDS**

**Balance Sheet  
June 30, 2013**

**Exhibit C**

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Basic Fund	Title II-A Fund	EHA Part B Fund	2011 Construction Fund		
<b>Assets</b>							
Cash and cash equivalents	\$ 2,363,353	\$ -	\$ -	\$ -	105,431	\$ 850,285	\$ 3,319,069
Cash with fiscal agents	-	-	-	-	-	919	919
Investments	-	-	-	-	-	35,000	35,000
Due from other governments	118,284	194,901	117,216	51,285	-	19,246	500,932
Accrued interest receivable	-	-	-	-	-	71	71
Due from other funds	257,113	391	134	153	-	5,306	263,097
Inventories	-	-	-	-	-	31,647	31,647
<b>Total assets</b>	<b>\$ 2,738,750</b>	<b>\$ 195,292</b>	<b>\$ 117,350</b>	<b>\$ 51,438</b>	<b>\$ 105,431</b>	<b>\$ 942,474</b>	<b>\$ 4,150,735</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 12,606	\$ 47,915	\$ 100,119	\$ -	92,452	\$ 14,722	\$ 267,814
Due to other funds	7,804	147,377	17,231	51,285	-	10,283	233,980
Unearned revenue	-	-	-	153	-	-	153
<b>Total Liabilities</b>	<b>20,410</b>	<b>195,292</b>	<b>117,350</b>	<b>51,438</b>	<b>92,452</b>	<b>25,005</b>	<b>501,947</b>
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory	-	-	-	-	-	31,647	31,647
<b>Restricted:</b>							
Ad Valorem	185,269	-	-	-	-	-	185,269
Debt service	-	-	-	-	-	288,910	288,910
Capital projects	-	-	-	-	12,979	-	12,979
Grant activities	-	-	-	-	-	250,919	250,919
Unemployment benefits	-	-	-	-	-	29,177	29,177
Food service	-	-	-	-	-	316,816	316,816
<b>Assigned:</b>							
Activity/athletic funds	68,628	-	-	-	-	-	68,628
<b>Unassigned</b>	<b>2,464,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,464,443</b>
<b>Total Fund Balances</b>	<b>2,718,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,979</b>	<b>917,469</b>	<b>3,648,788</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,738,750</b>	<b>\$ 195,292</b>	<b>\$ 117,350</b>	<b>\$ 51,438</b>	<b>\$ 105,431</b>	<b>\$ 942,474</b>	<b>\$ 4,150,735</b>

The notes to the financial statements are an integral part of this statement.

**ABERDEEN SCHOOL DISTRICT  
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2013**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 3,648,788

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	142,757	
Buildings			
		3,646,062	
Building improvements		1,848,150	
Improvements other than buildings		961,372	
Mobile equipment		1,100,805	
Furniture and equipment		982,030	
Leased property under capital leases		59,130	
Accumulated depreciation		<u>(4,153,206)</u>	4,587,100

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Notes payable		(697,237)	
Energy efficiency lease obligations		(684,063)	
Other bonds payable		(1,225,000)	
Compensated absences		(66,625)	
Accrued interest payable		<u>(59,330)</u>	(2,732,255)

**Net Position of governmental activities** \$ 5,503,633

The notes to the financial statements are an integral part of this statement.

**ABERDEEN SCHOOL DISTRICT  
Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2013**

**Exhibit D**

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Basic Fund	Title II-A Fund	EHA Part B Fund	2011 Construction Fund		
<b>Revenues:</b>							
Local sources	\$ 4,959,936	\$ -	\$ -	\$ -	\$ 1,613	\$ 399,081	\$ 5,360,630
State sources	6,344,921	-	-	-	-	171,929	6,516,850
Federal sources	291,381	747,052	214,754	360,100	-	1,194,934	2,808,221
Total Revenues	11,596,238	747,052	214,754	360,100	1,613	1,765,944	14,685,701
<b>Expenditures:</b>							
Instruction	5,627,860	463,898	147,192	163,558	-	375,217	6,777,725
Support services	4,388,611	244,278	108,930	239,578	-	311,150	5,292,547
Noninstructional services	505	37,271	-	500	-	953,808	992,084
Facilities acquisition and construction	-	-	-	-	1,157,181	-	1,157,181
Debt service:							
Principal	50,761	-	-	-	-	135,000	185,761
Interest	47,047	-	-	-	-	93,685	140,732
Other	-	-	-	-	-	500	500
Total Expenditures	10,114,784	745,447	256,122	403,636	1,157,181	1,869,360	14,546,530
Excess (Deficiency) of Revenues over (under) Expenditures	1,481,454	1,605	(41,368)	(43,536)	(1,155,568)	(103,416)	139,171
<b>Other Financing Sources (Uses):</b>							
Bonds and notes issued	107,237	-	-	-	-	-	107,237
Insurance recovery	436	-	-	-	-	-	436
Sale of transportation equipment	606	-	-	-	-	-	606
Sale of other property	4,404	-	-	-	-	22	4,426
Operating transfers in	116,065	-	41,234	43,383	-	363,616	564,298
Operating transfers out	(289,181)	(2,275)	-	-	-	(272,842)	(564,298)
Total Other Financing Sources (Uses)	(60,433)	(2,275)	41,234	43,383	-	90,796	112,705
Net Change in Fund Balances	1,421,021	(670)	(134)	(153)	(1,155,568)	(12,620)	251,876
<b>Fund Balances:</b>							
July 1, 2012, as previously reported	1,371,167	670	134	153	1,168,547	920,383	3,461,054
Prior period adjustments	(73,848)	-	-	-	-	5,233	(68,615)
July 1, 2012, as restated	1,297,319	670	134	153	1,168,547	925,616	3,392,439
Increase (Decrease) in inventory	-	-	-	-	-	4,473	4,473
June 30, 2013	\$ 2,718,340	\$ -	\$ -	\$ -	\$ 12,979	\$ 917,469	\$ 3,648,788

The notes to the financial statements are an integral part of this statement.

**ABERDEEN SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2013**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 251,876

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	1,188,273	
Depreciation expense		<u>(252,963)</u>	935,310

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(778)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued		(107,237)	
Payments of debt principal		185,761	
Accrued interest payable		<u>(37,833)</u>	40,691

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences		6,927	
Change in inventory		<u>4,473</u>	11,400

**Change in Net Position of governmental activities** \$ 1,238,499

The notes to the financial statements are an integral part of this statement.

**ABERDEEN SCHOOL DISTRICT  
Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities  
June 30, 2013**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 587,578
Other receivables, net	246
Due from other funds	<u>3,338</u>
Total Assets	<u><u>\$ 591,162</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 558,707
Due to other funds	<u>32,455</u>
Total Liabilities	<u><u>\$ 591,162</u></u>

The notes to the financial statements are an integral part of this statement.

## Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

### A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Aberdeen since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Aberdeen School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

### B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Basic Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

Title II-A Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title II-A Improving Teacher Quality Program.

EHA Part B Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to assist the District in providing a free appropriate public education to all children with disabilities.

2011 Construction Fund - This is a capital projects fund used to account for the proceeds of a three mill note and the expenditures associated with the use of those proceeds for repairs and renovations to district facilities.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

that are restricted, committed, or assigned to expenditure for principal and interest.

#### FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the conservator of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

**E. Assets, liabilities, and net position/fund balances**

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the conservator. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

Leased property under capital leases \* \*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Non-spendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Conservator, the District's highest level of decision-making authority. This formal action is a resolution approved by the Conservator. Currently there is no committed fund balance for this school district.

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Conservator and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

## **Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

**Deposits.** The conservator must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the conservator to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,319,069 and \$587,578, respectively. The carrying amount of deposits reported in the government-wide financial statements was reported as cash and cash equivalents of \$3,213,638 and a portion of restricted assets in the amount of \$105,431. The bank balance was \$4,209,069.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$4,209,069 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$919.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	AAA/F1+	10 years	\$ 35,000
Total			<u>\$ 35,000</u>

*Interest Rate Risk.* The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

**Note 3 – Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Basic Fund	\$ 147,377
	Title II-A Fund	17,231
	EHA Part B Fund	51,285
	Other governmental funds	8,765
	Fiduciary funds	32,455
Title I Basic Fund	General Fund	391
Title II-A Fund	General Fund	134
EHA Part B Fund	General Fund	153
Other governmental funds	General Fund	3,788
	Other governmental funds	1,518
Fiduciary funds	General Fund	3,338
Total		<u>\$ 266,435</u>

The primary purpose of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows and to reflect interest that was due from the district's fiduciary funds.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Title II-A Fund	\$ 41,234
	EHA Part B Fund	43,383
	Other governmental funds	204,564
Title I Basic Fund	General Fund	2,275
Other governmental funds	General Fund	113,790
	Other governmental funds	159,052
Total		<u>\$ 564,298</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, debt service transfers, unemployment compensation transfers, and other routine operating transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agent and investment balance, totaling \$919 and \$35,000, respectively, of the QSCB Bond Retirement Fund. In addition, restricted assets includes the cash balance totaling \$105,431 of the 2011 Construction Fund resulting from unspent proceeds of long-term debt.

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 5 – Capital Assets**

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 142,757				\$ 142,757
Total non-depreciable capital assets	<u>142,757</u>	-	-	-	<u>142,757</u>
<u>Depreciable capital assets:</u>					
Buildings	3,646,062				3,646,062
Building improvements	632,975	1,157,181		57,994	1,848,150
Improvements other than buildings	961,372				961,372
Mobile equipment	1,100,805				1,100,805
Furniture and equipment	1,017,521	31,092	85,793	19,210	982,030
Leased property under capital leases	59,325			(195)	59,130
Total depreciable capital assets	<u>7,418,060</u>	<u>1,188,273</u>	<u>85,793</u>	<u>77,009</u>	<u>8,597,549</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,046,464	34,120			2,080,584
Building improvements	75,957	73,926			149,883
Improvements other than buildings	193,727	38,455			232,182
Mobile equipment	795,935	40,190			836,125
Furniture and equipment	841,005	55,629	85,015	21,527	833,146
Leased property under capital leases	10,643	10,643			21,286
Total accumulated depreciation	<u>3,963,731</u>	<u>252,963</u>	<u>85,015</u>	<u>21,527</u>	<u>4,153,206</u>
Total depreciable capital assets, net	<u>3,454,329</u>	<u>935,310</u>	<u>778</u>	<u>55,482</u>	<u>4,444,343</u>
Governmental activities capital assets, net	<u>\$ 3,597,086</u>	<u>\$ 935,310</u>	<u>\$ 778</u>	<u>\$ 55,482</u>	<u>\$ 4,587,100</u>

Adjustments were needed to add costs incurred in prior year that were associated with the building improvements capitalized during the fiscal year. Adjustments were also needed to correct the cost and accumulated depreciation for furniture and equipment and leased property under capital leases.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 102,969
Support services	132,613
Non-instructional	17,381
Total depreciation expense - Governmental activities	<u>\$ 252,963</u>

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 6 – Long-term Liabilities**

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Three mill notes payable	\$ 725,000	\$	\$ 135,000	\$ 590,000	\$ 140,000
B. Shortfall notes payable	-	107,237		107,237	34,184
C. Obligations under energy efficiency leases	734,824		50,761	684,063	57,939
D. Qualified school construction bonds payable	1,225,000			1,225,000	-
E. Compensated absences payable	73,552		6,927	66,625	3,331
<b>Total</b>	<b>\$ 2,758,376</b>	<b>\$ 107,237</b>	<b>\$ 192,688</b>	<b>\$ 2,672,925</b>	<b>\$ 235,454</b>

**A. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited-tax note, Series 2008	3.46%	10/1/2008	10/1/2016	\$ 1,100,000	\$ 590,000
<b>Total</b>				<b>\$ 1,100,000</b>	<b>\$ 590,000</b>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2014	\$ 140,000	\$ 20,414	\$ 160,414
2015	145,000	15,570	160,570
2016	150,000	10,553	160,553
2017	155,000	5,363	160,363
<b>Total</b>	<b>\$ 590,000</b>	<b>\$ 51,900</b>	<b>\$ 641,900</b>

This debt will be retired from the 2008 Three Mill Note Fund (Debt Service Fund).

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**B. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue shortfall note, Series 2012	3.10%	10/26/2012	10/26/2015	\$ 107,237	\$ 107,237
Total				<u>\$ 107,237</u>	<u>\$ 107,237</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2014	\$ 34,184	\$ 3,324	\$ 37,508
2015	35,723	2,265	37,988
2016	37,330	1,157	38,487
Total	<u>\$ 107,237</u>	<u>\$ 6,746</u>	<u>\$ 113,983</u>

This debt will be retired from the Shortfall Note Fund (Debt Service Fund).

**C. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy performance contract lease	6.05%	3/10/2009	6/10/2021	\$ 820,684	\$ 684,063
Total				<u>\$ 820,684</u>	<u>\$ 684,063</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2014	\$ 57,939	\$ 38,509	\$ 96,448
2015	64,487	34,857	99,344
2016	71,526	30,798	102,324
2017	79,091	26,301	105,392
2018	87,746	21,322	109,068
2019 – 2021	323,274	30,021	353,295
Total	<u>\$ 684,063</u>	<u>\$ 181,808</u>	<u>\$ 865,871</u>

This debt will be retired from the District Maintenance Fund (General Fund).

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

An energy efficiency lease agreement dated March 10, 2009, was executed by and between the district, the lessee, and Johnson Controls, Inc., the lessor.

The agreement authorized the borrowing of \$820,684 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the District Maintenance Fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

**D. Qualified school construction bonds payable**

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond	0%	12/1/2010	12/1/2022	\$ 1,225,000	\$ 1,225,000
Total				<u>\$ 1,225,000</u>	<u>\$ 1,225,000</u>

**E. Compensated absences payable**

As more fully explained in Note 1(F)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**Note 7 – Short-Term Financing**

During the fiscal year ended June 30, 2013, the school district participated in the following short-term financing for the purpose of financing ongoing operations until the anticipated tax revenues were received:

Tax anticipation note payable.

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2013 are as follows:

Description	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013
Tax anticipation note payable	\$ -	\$ 401,225	\$ 401,225	\$ -
Total	<u>\$ -</u>	<u>\$ 401,225</u>	<u>\$ 401,225</u>	<u>\$ -</u>

**Note 8 – Other Commitments**

Operating leases:

The school district has several operating leases for the following:

1. Four (4) Konica Minolta copiers
2. Two (2) Ricoh digital duplicators
3. One (1) Ricoh copier

Lease expenditures for the year ended June 30, 2013, amounted to \$29,580. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	\$ 13,786
2015	13,786
2016	13,097
2017	13,097
Total	<u>\$ 53,766</u>

**Note 9 – Defined Benefit Pension Plan**

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$963,304, \$929,219 and \$874,439, respectively, which equaled the required contributions for each year.

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 10 – Prior Period Adjustments**

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct the recording of a prior year asset or liability at the governmental fund level	\$ (68,615)
2. To correct the prior year cost and accumulated depreciation of capital assets	55,482
Total	<u>\$ (13,133)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	To correct the recording of a prior year asset or liability	\$ (73,848)
Other governmental funds	To correct the recording of a prior year asset or liability	5,233
Total		<u>\$ (68,615)</u>

**Note 11 – Contingencies**

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**Note 12 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ABERDEEN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 13 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department.

Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$35,919. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 108,000
2015	180,000
2016	144,000
2017	108,000
2018	108,000
2019 – 2023	<u>434,000</u>
Total	<u>\$ 1,082,000</u>

**Note 14 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Aberdeen School District evaluated the activity of the district through February 5, 2014, and determined that there were no subsequent events that should be noted in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ABERDEEN SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,932,287	\$ 4,893,924	\$ 4,959,936	\$ (38,363)	\$ 66,012
State sources	6,282,220	6,344,921	6,344,921	62,701	-
Federal sources	158,126	291,381	291,381	133,255	-
<b>Total Revenues</b>	<b>11,372,633</b>	<b>11,530,226</b>	<b>11,596,238</b>	<b>157,593</b>	<b>66,012</b>
<b>Expenditures:</b>					
Instruction	5,706,750	5,627,860	5,627,860	78,890	-
Support services	4,780,436	4,388,611	4,388,611	391,825	-
Noninstructional services	500	505	505	(5)	-
Debt service:					
Principal	497,809	450,761	50,761	47,048	400,000
Interest	-	47,047	47,047	(47,047)	-
<b>Total Expenditures</b>	<b>10,985,495</b>	<b>10,514,784</b>	<b>10,114,784</b>	<b>470,711</b>	<b>400,000</b>
Excess (Deficiency) of Revenues over (under) Expenditures	387,138	1,015,442	1,481,454	628,304	466,012
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	-	507,237	107,237	507,237	(400,000)
Insurance recovery	-	436	436	436	-
Sale of transportation equipment	-	606	606	606	-
Sale of other property	-	4,404	4,404	4,404	-
Operating transfers in	1,371,540	1,272,039	116,065	(99,501)	(1,155,974)
Operating transfers out	(1,478,448)	(1,445,155)	(289,181)	33,293	1,155,974
<b>Total Other Financing Sources (Uses)</b>	<b>(106,908)</b>	<b>339,567</b>	<b>(60,433)</b>	<b>446,475</b>	<b>(400,000)</b>
<b>Net Change in Fund Balances</b>	<b>280,230</b>	<b>1,355,009</b>	<b>1,421,021</b>	<b>1,074,779</b>	<b>66,012</b>
<b>Fund Balances:</b>					
July 1, 2012, as previously reported	1,468,265	1,468,265	1,371,167	-	(97,098)
Prior period adjustments	(170,946)	(170,946)	(73,848)	-	97,098
July 1, 2012, as restated	1,297,319	1,297,319	1,297,319	-	-
June 30, 2013	\$ 1,577,549	\$ 2,652,328	\$ 2,718,340	\$ 1,074,779	\$ 66,012

The notes to the required supplementary information are an integral part of this schedule.

**ABERDEEN SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Basic Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 683,835	\$ 747,052	\$ 747,052	\$ 63,217	\$ -
Total Revenues	683,835	747,052	747,052	63,217	-
<b>Expenditures:</b>					
Instruction	604,218	463,898	463,898	140,320	-
Support services	296,450	244,278	244,278	52,172	-
Noninstructional services	46,388	37,271	37,271	9,117	-
Total Expenditures	947,056	745,447	745,447	201,609	-
Excess (Deficiency) of Revenues over (under) Expenditures	(263,221)	1,605	1,605	264,826	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(19,271)	(2,275)	(2,275)	16,996	-
Total Other Financing Sources (Uses)	(19,271)	(2,275)	(2,275)	16,996	-
Net Change in Fund Balances	(282,492)	(670)	(670)	281,822	-
Fund Balances:					
July 1, 2012	670	670	670	-	-
June 30, 2013	\$ (281,822)	\$ -	\$ -	\$ 281,822	\$ -

The notes to the required supplementary information are an integral part of this schedule.

**ABERDEEN SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title II-A Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 159,107	\$ 214,754	\$ 214,754	\$ 55,647	\$ -
Total Revenues	159,107	214,754	214,754	55,647	-
<b>Expenditures:</b>					
Instruction	161,017	147,192	147,192	13,825	-
Support services	40,806	108,930	108,930	(68,124)	-
Total Expenditures	201,823	256,122	256,122	(54,299)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(42,716)	(41,368)	(41,368)	1,348	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	41,234	41,234	41,234	-
Total Other Financing Sources (Uses)	-	41,234	41,234	41,234	-
Net Change in Fund Balances	(42,716)	(134)	(134)	42,582	-
Fund Balances:					
July 1, 2012	134	134	134	-	-
June 30, 2013	\$ (42,582)	\$ -	\$ -	\$ 42,582	\$ -

The notes to the required supplementary information are an integral part of this schedule.

**ABERDEEN SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**EHA Part B Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 525,000	\$ 360,100	\$ 360,100	\$ (164,900)	\$ -
Total Revenues	525,000	360,100	360,100	(164,900)	-
<b>Expenditures:</b>					
Instruction	250,914	163,558	163,558	87,356	-
Support services	332,503	239,578	239,578	92,925	-
Noninstructional services	2,000	500	500	1,500	-
Total Expenditures	585,417	403,636	403,636	181,781	-
Excess (Deficiency) of Revenues over (under) Expenditures	(60,417)	(43,536)	(43,536)	16,881	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	43,383	43,383	43,383	-
Operating transfers out	(7,317)	-	-	7,317	-
Total Other Financing Sources (Uses)	(7,317)	43,383	43,383	50,700	-
Net Change in Fund Balances	(67,734)	(153)	(153)	67,581	-
<b>Fund Balances:</b>					
July 1, 2012	153	153	153	-	-
June 30, 2013	\$ (67,581)	\$ -	\$ -	\$ 67,581	\$ -

The notes to the required supplementary information are an integral part of this schedule.

ABERDEEN SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the conservator and filed with the taxing authority. Amendments can be made on the approval of the conservator. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

**ABERDEEN SCHOOL DISTRICT**  
**Supplemental Information**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 263,365
National school lunch program	10.555	657,482
Total child nutrition cluster		920,847
Fresh Fruit and Vegetable Program	10.582	37,260
Total passed-through Mississippi Department of Education		958,107
<b>Total U.S. Department of Agriculture</b>		958,107
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	57,726
<b>Total U.S. Department of Defense</b>		57,726
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	56,421
<b>Total Federal Communications Commission</b>		56,421
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Twenty-First Century Community Learning Centers	84.287	102,216
Education Technology State Grants	84.318	7,442
Rural Education	84.358	53,907
Improving Teacher Quality State Grants	84.367	214,866
Subtotal		378,431
Title I cluster:		
Title I grants to local educational agencies	84.010	777,253
ARRA- Title I grants to local educational agencies, Recovery Act	84.389	32,568
Total Title I cluster		809,821
Special education cluster:		
Special education - grants to states	84.027	403,636
Special education - preschool grants	84.173	31,419
Total special education cluster		435,055
Total passed-through Mississippi Department of Education		1,623,307
<b>Total U.S. Department of Education</b>		1,623,307
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed through Mississippi Department of Education:		
Medical Assistance Program	93.778	31,450
<b>Total U.S. Department of Defense</b>		31,450
Total for All Federal Awards		\$ 2,727,011

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**ABERDEEN SCHOOL DISTRICT  
Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2013**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 9,256,660	7,021,135	626,316	661,692	947,517
Other	5,289,870	930,927	541,562	34,705	3,782,676
Total	<u>\$ 14,546,530</u>	<u>7,952,062</u>	<u>1,167,878</u>	<u>696,397</u>	<u>4,730,193</u>
Total number of students *	<u>1,404</u>				
Cost per student	<u>\$ 10,361</u>	<u>5,664</u>	<u>832</u>	<u>496</u>	<u>3,369</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

**ABERDEEN SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 4,959,936	\$ 4,360,165	\$ 4,456,113	\$ 3,896,689
State sources	6,344,921	6,493,553	6,151,647	6,244,331
Federal sources	291,381	223,068	220,194	426,010
Total Revenues	<u>11,596,238</u>	<u>11,076,786</u>	<u>10,827,954</u>	<u>10,567,030</u>
<b>Expenditures:</b>				
Instruction	5,627,860	5,681,449	5,232,643	6,318,513
Support services	4,388,611	4,290,260	4,517,430	4,821,396
Noninstructional Services	505	0	0	516
Facilities acquisition and construction		0	4,826	607,581
Debt Service:				
Principal	50,761	50,661	45,523	23,686
Interest	47,047	40,251	42,741	62,006
Other			0	
Total Expenditures	<u>10,114,784</u>	<u>10,062,621</u>	<u>9,843,163</u>	<u>11,833,698</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,481,454</u>	<u>1,014,165</u>	<u>984,791</u>	<u>(1,266,668)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and Notes issued	107,237			
Insurance recovery	436			
Sale of transportation equipment	606			
Sale of other property	4,404			
Operating transfers in	116,065	22,860	6,604	22,508
Operating transfers out	(289,181)	(363,316)	(271,259)	(315,821)
Other financing uses			(1,711)	(281)
Total Other Financing Sources (Uses)	<u>(60,433)</u>	<u>(340,456)</u>	<u>(266,366)</u>	<u>(293,594)</u>
Net Change in Fund Balances	<u>1,421,021</u>	<u>673,709</u>	<u>718,425</u>	<u>(1,560,262)</u>
Fund Balances:				
July 1, as previously reported	1,371,167	775,669	37,244	1,590,915
Prior period adjustments	(73,848)	(78,211)	20,000	7,342
July 1, as restated	<u>1,297,319</u>	<u>697,458</u>	<u>57,244</u>	<u>1,598,257</u>
Residual equity transfer in (out)				(751)
June 30	<u>\$ 2,718,340</u>	<u>\$ 1,371,167</u>	<u>\$ 775,669</u>	<u>\$ 37,244</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**ABERDEEN COUNTY SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2013	2012*	2011 *	2010*
<b>Revenues:</b>				
Local sources	\$ 5,360,630	\$ 4,733,625	\$ 4,718,909	\$ 4,159,466
State sources	6,516,850	6,648,235	6,342,726	6,436,049
Federal sources	2,808,221	2,931,149	3,841,691	4,549,987
<b>Total Revenues</b>	<b>14,685,701</b>	<b>14,313,009</b>	<b>14,903,326</b>	<b>15,145,502</b>
<b>Expenditures:</b>				
Instruction	6,777,725	7,177,744	7,746,994	9,112,444
Support services	5,292,547	5,092,346	5,350,409	5,780,792
Noninstructional services	992,084	886,489	982,413	1,041,328
Facilities acquisition and construction	1,157,181	0	38,426	612,196
Debt service:				
Principal	185,761	180,661	170,523	143,686
Interest	140,732	107,930	76,649	99,855
Other	500			
<b>Total Expenditures</b>	<b>14,546,530</b>	<b>13,445,170</b>	<b>14,365,414</b>	<b>16,790,301</b>
Excess (Deficiency) of Revenues over (under) Expenditures	139,171	867,839	537,912	(1,644,799)
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans			1,225,000	
Bonds and notes issued	107,237			
Insurance recovery	436			
Sale of transportation equipment	606			
Sale of other property	4,426			400
Operating transfers in	564,298	1,615,475	277,863	339,846
Other financing sources		35,000		
Operating transfers out	(564,298)	(1,615,475)	(277,863)	(339,846)
Other financing uses		(35,000)	(1,711)	(281)
<b>Total Other Financing Sources (Uses)</b>	<b>112,705</b>	<b>0</b>	<b>1,223,289</b>	<b>119</b>
<b>Net Change in Fund Balances</b>	<b>251,876</b>	<b>867,839</b>	<b>1,761,201</b>	<b>(1,644,680)</b>
<b>Fund Balances:</b>				
July 1, as previously reported	3,461,054	2,809,124	921,402	2,554,124
Prior period adjustments	(68,615)	(210,230)	124,589	7,342
July 1, as restated	<b>3,392,439</b>	<b>2,598,894</b>	<b>1,045,991</b>	<b>2,561,466</b>
Increase (decrease) in inventory		(5,679)	1,932	5,367
Residual equity transfer in (out)	4,473			(751)
June 30	\$ 3,648,788	\$ 3,461,054	\$ 2,809,124	\$ 921,402

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



**WATKINS, WARD AND STAFFORD**

Professional Limited Liability Company  
Certified Public Accountants

River Hills Tower, 1675 Lakeland Drive, Suite 505  
Jackson, MS 39216  
(Phone) 601-982-0010 (Fax) 601-982-0013

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sindair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, CPA

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Conservator and the Mississippi Department of Education  
Aberdeen School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Aberdeen School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Aberdeen School District's basic financial statements, and have issued our report thereon dated February 5, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Aberdeen School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Aberdeen School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Aberdeen School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Aberdeen School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
February 5, 2014

*Watkins Ward and Stafford, PLLC*



**WATKINS, WARD AND STAFFORD**

Professional Limited Liability Company  
Certified Public Accountants

River Hills Tower, 1675 Lakeland Drive, Suite 505  
Jackson, MS 39216  
(Phone) 601-982-0010 (Fax) 601-982-0013

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sindair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, CPA

**Independent Auditor’s Report  
on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance  
Required by OMB Circular A-133**

Conservator and Mississippi Department of Education  
Aberdeen School District

**Report on Compliance for Each Major Federal Program**

We have audited Aberdeen School District’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Aberdeen School District’s major federal programs for the year ended June 30, 2013. Aberdeen School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of Aberdeen School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aberdeen School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Aberdeen School District’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Aberdeen School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of Aberdeen School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Aberdeen School District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Aberdeen School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
February 5, 2014

*Watkins Ward and Stafford, PLLC*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



**WATKINS, WARD AND STAFFORD**

Professional Limited Liability Company  
Certified Public Accountants

River Hills Tower, 1675 Lakeland Drive, Suite 505  
Jackson, MS 39216  
(Phone) 601-982-0010 (Fax) 601-982-0013

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, CPA

**INDEPENDENT AUDITOR’S REPORT**

**ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Conservator and Mississippi Department of Education  
Aberdeen School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aberdeen School District as of and for the year ended June 30, 2013, which collectively comprise Aberdeen School District’s basic financial statements and have issued our report thereon dated February 5, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, “the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds.” As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$7,757 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, “the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district.”

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

- 1. The district should have recorded an Ad Valorem Escrow.

Finding

Section 37-57-107(3), Miss. Code Ann. (1972), states “Except as otherwise provided for excess revenues generated pursuant to an election, if revenues collected as the result of the taxes levied for the fiscal year pursuant to this section and Section 37-57-1 exceed the increase limitation, then it shall be the mandatory duty of the conservator of the school district to deposit such excess receipts over and above the increase limitation into a special account and credit it to the fund for which the levy was made. It will be the further

duty of such board to hold said funds and invest the same as authorized by law. Such excess funds shall be calculated in the budgets for the school districts for the purpose for which such levies were made, for the succeeding fiscal year. Taxes imposed for the succeeding year shall be reduced by the amount of excess funds available. Under no circumstances shall such excess funds be expended during the fiscal year in which such excess funds are collected.

During our test work at Aberdeen School District, we noted that the district had calculated their base year by using the accrual basis of accounting instead of the required cash basis of accounting. This caused their base year to be overstated. The district should have recorded an ad valorem escrow in the amount of \$185,269 as of the year end.

This noncompliance occurred because the district made an error in their calculation of the base for ad valorem.

Noncompliance with Section 37-57-107(3), Miss. Code Ann. (1972) resulted in the district violating state laws by not setting aside excess funds exceeding the increase limitation into a special account and reducing the district's request for funds for the next period by the amount of the excess.

Recommendation

We recommend that the district comply with Section 37-57-107(3), Miss. Code Ann. (1972), which requires the district to set aside excess revenue that are above the increase limitation.

District's Response

The district will comply Section 37-57-107(3), Miss. Code Ann. (1972).

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Aberdeen School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the conservator and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
February 5, 2014

*Watkins Ward and Stafford, PLLC*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ABERDEEN SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued:                      | Unqualified   |
| 2. | Internal control over financial reporting:            |               |
|    | a. Material weaknesses identified?                    | No            |
|    | b. Significant deficiencies identified?               | None reported |
| 3. | Noncompliance material to financial statements noted? | No            |

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness identified?   | No            |
|    | b. Significant deficiency identified?  | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | None reported |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010; 84.389	Title I Cluster
84.027; 84.173	Special Education Cluster
84.367	Improving Teacher Quality

- |     |   |           |
|-----|---|-----------|
| 8.  | Dollar threshold used to distinguish between type A and type B programs:  | \$300,000 |
| 9.  | Auditee qualified as low-risk auditee?  | No        |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | Yes       |

ABERDEEN SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

**Aberdeen School District**  
P.O. Box 607  
Aberdeen, MS 39730  
**Mr. Mac Curlee, Conservator**  
**Latasha Straughter, Business Manager**

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section \_\_\_\_315(b) of OMB Circular A-133, the Aberdeen School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2013:

<u>Findings</u>	<u>Status</u>
2012-1	Corrected
2012-2	Corrected
2012-3	Corrected